

Memorandum

*Serious drought.
Help Save Water!*

To: LAURINE BOHAMERA, Chief
External Audits - Contracts
Audits and Investigations

Date: January 13, 2016

File: P2535-0042

ORIGINAL SIGNED BY:

From: RIHUI ZHANG, Chief
Division of Local Assistance

Subject: **DEPARTMENT ACTION PLAN TO PROPOSITION 1B AUDIT – CITY OF
NEWPORT BEACH**

This memorandum serves as California Department of Transportation's (Caltrans) action plan for Audits and Investigations' (A&I) Proposition 1B Audit (dated August 21, 2015) of the City of Newport Beach's (City) "The Balboa Boulevard and Channel Road Pavement Reconstruction" project, SLPPL-5151(027).

Finding 1—Unsupported Construction Engineering for Management and Inspection Costs

The City was unable to provide the source documents to support labor costs billed under Construction Engineering from March 18, 2013 to June 30, 2013.

Recommendation

Recover the unsupported amount of \$11,859.66 from the City. In addition, if the City intends to seek reimbursement for project labor costs in future projects involving state and federal funds, timesheets will need to adequately substantiate the employee's time.

Corrective Action

The Division of Local Assistance (DLA) will recover \$11,859.66 from the City for unsupported reimbursement of labor costs identified with this finding. An invoice was sent to the City on December 15, 2015 and DLA expects to receive full reimbursement within three months of the date of this memorandum.

Finding 2— Procurement Processes for Construction Engineering Agreement

The City could not demonstrate that its on-call consultant agreement with GMU Geotechnical, Inc. (GMU) was procured through full and open competition. Specifically, the City could not provide advertisement of the contract, original evaluation score sheets, and documents demonstrating the contract award to the most qualified consultant.

Recommendation

Recover costs paid to the GMU totaling \$8,039.18. In addition, the City publicly advertise and competitively award future on-call agreements, as well as retain all supporting documentation, in accordance with state and federal requirements.

Corrective Action

DLA will recover \$8,039.18 from the City for costs reimbursed with the improperly procured GMU contract. An invoice was sent to the City on December 15, 2015 and DLA expects to receive full reimbursement within three months of the date of this memorandum.

To become more familiar with procurement procedures in the Local Assistance Procedures Manual and avoid the same deficiencies with future contracts, the City attended local agency A&E contract procurement training on March 12, 2015. In addition, the City has acquired a new integrated finance and payroll system to substantiate employee time and track use of funds. DLA will review the City's procurement procedures and documentation of contracts solicited in the next 12 months. The number of reviews will be dependent on the adequacy demonstrated by the City.

If you have any questions, please contact David Giongco in the Division of Local Assistance at 916-651-6872.

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